

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
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FM AMEMBASSY MONTEVIDEO
TO SECSTATE WASHDC 4835

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E.O. 11652: N/A
TAGS: EFIN, UY
SUBJ: IBRD LOAN PROGRAM

REF: MONTEVIDEO 4492

THERE FOLLOWS LATEST INFORMATION AVAILABLE ON IBRD
PROJECTS UNDER CONSIDERATION AVAILABLE FROM COVER-
SATIONS WITH VISITING IBRD/W URUGUAY LOAN OFFICER, JASDIP
SINGH, AND WITH GOU OFFICIAL S RESPONSIBLE FOR VARIOUS
PROJECTS.

1. POWER LOAN TO UTE. ABOUT DOLS 30 MILLION. THIS
LOAN, THE FIFTH TO UTE, (THE STATE POWER COMPANY) WILL
FINANCE TRANSMISSION LINES AND DISTRIBUTION SYSTEM OUTSIDE
OF MONTEVIDEO, PARTICULARLY FOR SALTO GRANDE AND PALMAR
HYDROELECTRIC PROJECTS. LOAN PREPARATION HAS BEEN DELAYED
BECAUSE OF NEED FOR INTERNAL MANAGEMENT REFORMS IN UTE
(NOW IMPROVING) AND GOU DETERMINATION ON HOW TO FINANCE
COUNTERPART CONTRIBUTION. APPRAISAL MISSION NOW
SCHEDULED TO ARRIVE IN OCTOBER.

2. VOCATIONAL TRAAINING AND TECHNOLOGICAL DEVELOPMENT.
THIS LOAN, PROPOSED AT AROUND DOLS 10 MILLION WILL FINANCE
VOCATIONAL TRAINING AND RE-TRAINING OF INDUSTRIAL WORKERS TO
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FACILITATE INDUSTRIAL RECONVERSATION TOWARD EXPORT PRODUCTION.
UTU (THE LABOR UNIVERSITY) WILL MANAGE THE TRAINING COM-
PONENT. FINANCING WILL ALSO BE INCLUDED FOR LATU (THE
NATIONAL TESTING AND ANALYSIS LABORATORY CHARGED WITH
QUALITY CONTROL OF EXPORTS). THE GOU PLANNING OFFICE,
SEPLACODI, WILL BE THE LOAN ACTIVITY COORDINATOR WITHIN
THE GOU. APPRAISAL MISSION DUE IN OCTOBER 1977. MISSION

HAS DISCUSSED LOAN EXTENSIVELY WITH IBRD AND GOU OFFICIALS AND WITHOUT HAVING DOCUMENTATION TO REVIEW, CONSIDERS THAT LOAN WILL MAKE AN IMPORTANT DEVELOPMENT CONTRIBUTION.

3. AGRICULTURAL AND LIVESTOCK DEVELOPMENT. THIS LOAN, THE SIXTH IN THE SERIES OF LIVESTOCK DEVELOPMENT LOANS, IS BEING BROADENED TO PROMOTE LIVESTOCK, DAIRY DEVELOPMENT AND POSSIBLY A SPECIAL PROGRAM OF ASSISTANCE TO SMALL AND MEDIUM PRODUCERS. (AID IS CURRENTLY FINANCING A SMALL FARMER SURVEY BEING CARRIED OUT BY THE MINISTRY OF AGRICULTURE AND FISHERIES (MAP). EXACT AMOUNT OF LOAN STILL TO BE DETERMINED BUT COULD AMOUNT TO AROUND DOLS 30 MILLION. APPRAISAL MISSION DUE IN MONTEVIDEO IN OCTOBER OR NOVEMBER. MINISTER OF AGRICULTURE'S RECENT COMMENTS TO AID REP RAISE SOME UNCERTAINTY AS TO THE EXTENT OF HIS REAL COMMITMENT TO THE NEW LOAN. HE SPECIFICALLY EXPRESSED CONCERN OVER IBRD'S QTE HIGH UNQTE INTEREST RATES FOR THIS TYPE OF PROJECT. THERE IS ALSO SOME QUESTION AS TO THE FUTURE OF PLAN AGRO-PECUARIO, THE IBRD FINANCED LIVESTOCK PROGRAM.

4. TRANSPORT SECTOR LOAN. THIS LOAN, BASED ON A TRANSPORT SECTOR ANALYSIS RECENTLY COMPLETED, WOULD FINANCE RECONSTRUCTION OF ROUTE 8 TO THE NORTHEAST FRONTIER WITH BRAZIL, OTHER HIGHWAYS AND POSSIBLY SOME PORT INSTALLATIONS. THE PROJECT IS EXPECTED TO BE APPRAISED IN LATE 1977 OR EARLY UNCLASSIFIED

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1978. NO DATE HAS BEEN YET ESTIMATED FOR PRESENTATION TO THE BOARD.

5. COMMENT. IBRD-GOU RELATIONS SUFFERED SOME STRAIN IN EARLY 1977 AS THE GOU WITHDREW ITS REQUEST FOR AN AGRICULTURAL DIVERSIFICATION LOAN WHICH HAD BEEN TWO YEARS IN PREPARATION, AFTER OPPOSITION FROM BANK OF REPUBLIC PRESIDENT GENERAL RAIMUNDEZ. SUCH OPPOSITION TRIGGERED THE RESIGNATION OF THE THEN AGRICULTURE MINISTER AZNAREZ. SINCE THEN, THE GOU HAS SOUGHT TO REPAIR THE STRAIN AND HAS DISCUSSED WITH IBRD A NEW AGRICULTURE LOAN LIMITED TO LIVESTOCK, DAIRY AND POSSIBLE A SMALL FARMER PROGRAM. SEVERAL GOU SOURCES HAVE EXPRESSED CONCERN ABOUT THE RELATIVELY HIGHER IBRD INTEREST RATES APPLICABLE TO AGRICULTURAL DEVELOPMENT LOANS, EXPRESSING THE VIEW THAT IBRD CREDITS SHOULD BE USED PRIMARILY FOR LARGE INFRASTRUCTURE PROJECTS SUCH AS POWER OR HIGHWAYS RATHER THAN FOR AGRICULTURAL CREDIT PROGRAMS. IT IS WELL KNOWN THAT GENERAL RAIMUNDEZ IS GENERALLY HOSTILE TO EXTERNAL CREDIT PROGRAMS TO AGRICULTURE OR INDUSTRY WHICH THE BOR DOES NOT

EXCLUSIVELY CONTROL. DISCUSSION OF THE NEW
AGRICULTURE LOAN AT THIS TIME IS SEEN BY SOME
AS A CAUTIOUS EFFORT TO RENEW COOPERATION IN THE
AGRICULTURE FIELD IN WHICH THE IBRD SETS A HIGH
PRIORITY IN ITS EFFORT TO HAVE AN IMPACT ON THE
PRODUCTIVE SECTORS. ITS DOLS 20 MILLION INDUSTRIAL
SECTOR LOAN, SLOW INSTARTING, HAS NOW DEVELOPED
A SATISFACTORY DISBURSEMENT RHYTHM.

6. THE PRINCIPAL GOU OBJECTIVE AT THIS YEAR'S IBRD
MEETING WOULD BE TO DESCRIBE THE ECONOMIC SITUATION,
PLUSES AND MINUSES, AND TO TRY TO UPGRADE ITS SOME-
WHAT GRAYED RELATIONS BY WORKING OUT AN AGREED PROGRAM
OF PROJECTS THROUGH 1978.
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